

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Aplastic Anemia & MDS International Foundation, Inc.
Bethesda, Maryland

We have audited the accompanying financial statements of the Aplastic Anemia & MDS International Foundation, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

Report on Summarized Comparative Information

We have previously audited the Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

October 22, 2019

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,055,155	\$ 829,228
Investments	1,704,721	3,438,609
Contributions and grants receivable	94,489	1,146,623
Prepaid expenses	<u>40,352</u>	<u>87,086</u>
Total current assets	<u>2,894,717</u>	<u>5,501,546</u>
FIXED ASSETS		
Property and equipment	421,864	386,951
Less: Accumulated depreciation	<u>(317,699)</u>	<u>(276,680)</u>
Net fixed assets	<u>104,165</u>	<u>110,271</u>
NONCURRENT ASSETS		
Security deposits	15,232	15,232
Charitable Remainder Trust	<u>298,021</u>	<u>281,152</u>
Total noncurrent assets	<u>313,253</u>	<u>296,384</u>
TOTAL ASSETS	<u>\$ 3,312,135</u>	<u>\$ 5,908,201</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 93,609	\$ 90,470
Accrued expenses	504,697	380,578
Current portion of deferred rent abatement	9,471	5,051
Grants payable	<u>698,962</u>	<u>1,745,994</u>
Total current liabilities	1,306,739	2,222,093
LONG-TERM LIABILITIES		
Deferred rent	<u>97,676</u>	<u>107,147</u>
Total liabilities	<u>1,404,415</u>	<u>2,329,240</u>
NET ASSETS		
Without donor restrictions (deficit):		
Undesignated (deficit)	(474,381)	(249,409)
Board designated	<u>157,794</u>	<u>200,079</u>
Total without donor restrictions (deficit)	(316,587)	(49,330)
With donor restrictions	<u>2,224,307</u>	<u>3,628,291</u>
Total net assets	<u>1,907,720</u>	<u>3,578,961</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,312,135</u>	<u>\$ 5,908,201</u>

See accompanying notes to financial statements.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions and grants:				
Individuals	\$ 1,070,639	\$ 114,412	\$ 1,185,051	\$ 1,083,788
Corporate and other	200,314	1,297,231	1,497,545	2,518,257
Foundations	40,004	90,241	130,245	1,660,192
Special events	30,279	3,414	33,693	34,005
Trust and wills	81,462	16,869	98,331	67,374
Investment (loss) income	(14,442)	-	(14,442)	219,410
Contributed materials and services	1,625	8,750	10,375	2,608
Conference and other revenue	30,147	19,640	49,787	31,135
Net assets released from donor restrictions	<u>2,954,541</u>	<u>(2,954,541)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>4,394,569</u>	<u>(1,403,984)</u>	<u>2,990,585</u>	<u>5,616,769</u>
EXPENSES				
Program Services	<u>3,885,773</u>	<u>-</u>	<u>3,885,773</u>	<u>5,696,940</u>
Supporting Services:				
General and Administrative	197,448	-	197,448	206,220
Fundraising	<u>578,605</u>	<u>-</u>	<u>578,605</u>	<u>617,498</u>
Total supporting services	<u>776,053</u>	<u>-</u>	<u>776,053</u>	<u>823,718</u>
Total expenses	<u>4,661,826</u>	<u>-</u>	<u>4,661,826</u>	<u>6,520,658</u>
Change in net assets	(267,257)	(1,403,984)	(1,671,241)	(903,889)
Net assets at beginning of year	<u>(49,330)</u>	<u>3,628,291</u>	<u>3,578,961</u>	<u>4,482,850</u>
NET ASSETS AT END OF YEAR	<u>\$ (316,587)</u>	<u>\$ 2,224,307</u>	<u>\$ 1,907,720</u>	<u>\$ 3,578,961</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018				2017	
	Program Services	Supporting Services		Total Supporting Services	Total Expenses	Total Expenses
		General and Administrative	Fundraising			
Salaries, benefits and payroll taxes	\$ 1,053,991	\$ 99,274	\$ 348,662	\$ 447,936	\$ 1,501,927	\$ 1,904,386
Professional and contract services	522,206	29,592	74,092	103,684	625,890	755,230
Office expenses	193,387	5,864	83,679	89,543	282,930	288,703
Information technology	88,797	18,317	13,163	31,480	120,277	143,779
Occupancy and related expenses	139,739	29,709	20,808	50,517	190,256	182,814
Travel and meetings	561,889	1,913	27,555	29,468	591,357	578,703
Professional development	2,264	158	868	1,026	3,290	8,881
Awards, grants and honoraria	482,040	640	1,208	1,848	483,888	476,634
CRC grant expense	781,962	-	-	-	781,962	2,108,241
Insurance	12,585	2,676	1,874	4,550	17,135	17,543
Bank service fees	15,951	3,391	2,554	5,945	21,896	17,142
Depreciation	30,962	5,914	4,142	10,056	41,018	38,602
TOTAL	\$ 3,885,773	\$ 197,448	\$ 578,605	\$ 776,053	\$ 4,661,826	\$ 6,520,658

See accompanying notes to financial statements.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,671,241)	\$ (903,889)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	41,019	38,602
Unrealized loss (gain) on investments	119,442	(124,645)
Realized gain on investments	(55,534)	(50,076)
Donated investments	(4,641)	(261,319)
Change in value of Charitable Remainder Trust	(16,869)	(15,914)
Decrease (increase) in:		
Contributions and grants receivable	1,052,134	(493,733)
Prepaid expenses	46,734	223,625
Security deposits	-	10,551
Increase (decrease) in:		
Accounts payable	3,139	17,612
Accrued expenses	124,119	89,204
Grants payable	(1,047,032)	997,373
Deferred rent	<u>(5,051)</u>	<u>69,259</u>
Net cash used by operating activities	<u>(1,413,781)</u>	<u>(403,350)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of investments	1,674,621	(322,403)
Purchase of property and equipment	<u>(34,913)</u>	<u>(26,432)</u>
Net cash provided (used) by investing activities	<u>1,639,708</u>	<u>(348,835)</u>
Net increase (decrease) in cash and cash equivalents	225,927	(752,185)
Cash and cash equivalents at beginning of year	<u>829,228</u>	<u>1,581,413</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,055,155</u>	<u>\$ 829,228</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Aplastic Anemia & MDS International Foundation, Inc. (the Foundation) is a non-profit organization, incorporated in the State of Maryland and located in Bethesda, Maryland. The Foundation was formed to provide patient assistance, advocacy and support; create and distribute educational materials and medical information; and support research to find treatment for various bone marrow diseases including Aplastic Anemia (AA), Myelodysplastic Syndromes (MDS), Paroxysmal Nocturnal Hemoglobinuria (PNH), and related bone marrow failure diseases. The Foundation received voluntary contributions from localized support groups and families which fund-raise independently of the Foundation.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended December 31, 2018 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporate (FDIC) up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances at financial institutions in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal. Amounts in excess of FDIC limits were protected through additional insurance by the financial institution.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment (loss) income, net of investment expenses provided by external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Contributions and grants receivable -

Contributions and grants receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All contributions and grants receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Fixed assets -

Fixed assets with acquisition costs of \$500 or more are stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Contributed materials and services -

Contributed materials and services include t-shirts, hats, office supplies, and presentation services, and are recorded at their fair value as of the date of the gift.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Grant funding received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Foundation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

Risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09).

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Foundation has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional.

The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Foundation has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements.

The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Foundation plans to adopt the new ASUs at the respective required implementation dates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net deficit in the amount of \$49,330 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$3,628,291, respectively, are now classified as "net assets with donor restrictions".

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. INVESTMENTS

Investments consisted of the following at December 31, 2018:

	<u>Market Value</u>
U.S. Treasury notes and Government agency securities	\$ 150,498
Corporate bonds	167,084
Common stocks	564,511
Mutual funds	<u>822,628</u>
TOTAL INVESTMENTS	<u>\$ 1,704,721</u>

Included in investment loss are the following for the year ended December 31, 2018:

Interest, dividends and fees	\$ 62,579
Management fees	(13,113)
Unrealized loss	(119,442)
Realized gain	<u>55,534</u>
TOTAL INVESTMENT LOSS, NET	<u>\$ (14,442)</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018:

Charitable Remainder Trust	\$ 298,021
Research	521,775
MDS Clinical Research Consortium	1,079,261
Health Professional Education Programs	40,000
Patient Educational Programs and Conferences	253,750
Awareness	<u>31,500</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,224,307</u>

The following net assets with donor restrictions were released from donor restrictions, for the year ended December 31, 2018, by incurring expenses, which satisfied the restricted purposes specified by the donors:

Research	\$ 181,448
MDS Clinical Research Consortium	717,349
MDS Alliance	213,279
Awareness	226,000
Health Professional Education Programs	590,140
Patient Educational Programs and Conferences	<u>1,026,325</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,954,541</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use within one year of the Statement of Financial Position were comprised of the following at December 31, 2018:

Cash and cash equivalents	\$ 1,055,155
Investments	1,704,721
Contributions and grants receivable	<u>94,489</u>
Total financial assets	2,854,365
Less: Financial assets unavailable for expenditure within one year due to:	
Board designated net assets	<u>(157,794)</u>
FINANCIAL ASSETS AVAILABLE FOR EXPENDITURE WITHIN ONE YEAR	<u>\$ 2,696,571</u>

The Foundation has a policy to structure their financial assets to be available and liquid as their obligations become due. As of December 31, 2018, the Foundation has financial assets available for expenditure to cover approximately six months of operating expenses.

The Foundation has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2018, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. Additionally, they have a board designated reserve which they may draw upon, pending board approval.

5. LEASE COMMITMENT

The Foundation entered into a new ninety-two month office space lease agreement beginning in October 2016. Base rent is \$175,707 per year, plus a proportionate share of expenses. Beginning with the third year of the lease, base rent shall increase by a factor of 2.5% each year. Under the terms of the lease, the landlord will grant the Foundation an abatement of base rent and its share of expenses for the first eight months after the commencement date.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position. Future minimum payments are as follows:

Year Ending December 31,

2019	\$ 181,226
2020	185,756
2021	190,400
2022	195,160
2023	<u>84,903</u>
	<u>\$ 837,445</u>

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

5. LEASE COMMITMENT (Continued)

Total rent expense was \$176,099 for the year ended December 31, 2018, and is included in occupancy and related expenses in the Statement of Functional Expenses. The deferred rent liability was \$107,147.

6. CHARITABLE REMAINDER TRUST

The Foundation entered into an irrevocable life tenancy agreement in 2004 with an individual, whereby the Foundation will receive the individual's residence upon his death. Under accounting principles generally accepted in the United States of America, the beneficial interest to the Foundation is measured at the present value of the estimated future cash flow to be received by the Foundation.

The fair value of the property at December 31, 2004, which was determined by an independent appraisal performed in April 2005, was \$475,000. The fair value was discounted to present value over an estimated life of 20 years, at a discount rate of 6%, and reported as "Trust and wills revenue" in the accompanying Statement of Activities and Change in Net Assets. The current year present value adjustment increased the value of the trust by \$16,869.

7. PENSION PLAN

The Foundation has established an independent 403(b) retirement plan (the Plan). The Plan is available to full-time and part-time employees who are at least 21 years old. The Foundation currently matches 100% of employee deferral contributions, up to 6% of eligible compensation. The Foundation contributed \$58,616 for the year ended December 31, 2018.

8. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2018:

- *U.S. Government securities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Common stocks and bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price.
- *Charitable Remainder Trust* - Valued at the estimated present value of the appraised value of a life tenancy agreement.

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
U.S. Treasury notes and Government agency securities	\$ 150,498	\$ -	\$ -	\$ 150,498
Corporate bonds	167,084	-	-	167,084
Common stocks	564,511	-	-	564,511
Mutual funds	822,628	-	-	822,628
Charitable Remainder Trust	<u>-</u>	<u>-</u>	<u>298,021</u>	<u>298,021</u>
TOTAL	<u>\$ 1,704,721</u>	<u>\$ -</u>	<u>\$ 298,021</u>	<u>\$ 2,002,742</u>

Level 3 Financial Assets

The change in present value is recorded in net assets with donor restrictions and is associated with the Charitable Remainder Trust, which is still held at December 31, 2018.

The following table provides a summary of changes in fair value of the Foundation's financial assets for the year ended December 31, 2018:

	<u>Charitable Remainder Trust</u>
Balance as of December 31, 2017	\$ 281,152
Present value adjustment	<u>16,869</u>
BALANCE AS OF DECEMBER 31, 2018	<u>\$ 298,021</u>

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2018. Transfers between levels are recorded at the end of the reporting period, if applicable.

APLASTIC ANEMIA & MDS INTERNATIONAL FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 22, 2019, the date the financial statements were issued.